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American Woman's Society of Certified Public Accountants

American Society of Women Accountants

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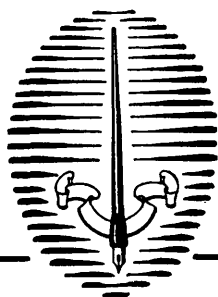
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AMERICAN SOCIETY OF WOMEN ACCOUNTANTS



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EDITORIAL

WELCOME!

We are very proud to announce the formation of two more chapters, giving us 48 chapters of Aswa within 23 states and the District of Columbia. A hearty welcome to the members of the new chapters in Birmingham, Alabama and Charleston, West Virginia.

NOTICE!!!

To all chapter bulletin editors, award chairmen, and contributors to our publication. On or about June 6th, your editor will be vacating quarters in Quantico and looking for a home in Urbana, Illinois. We won't be able to give you a permanent change of address until the August issue, BUT after the first of June please address all mail c/o Mr. George Worswick, 5025 Haverhill, Detroit 24, Michigan. Be sure and use the complete address because we have been in and out of there so often that the postoffice sometimes sends our mail in circles.

We would appreciate it very much if you would all make every effort to have any material you plan to submit before June 31st in the mail *early* in May.

EDITOR'S MAILBOX

Convention News

We are getting so excited over the brochures about the 1956 Eastern Regional Conference in Atlanta on May 18-20 and the 1956 Annual Convention of AWSCPA and ASWA to be held in Seattle in September.

Atlanta Chapter promises us, "Peaches, parties, programs and personalities await you on Peachtree". Seattle intrigues us with its description of a native festival called Potlatch. They tell us "Our Potlatch pledges prodigious pleasures and profits. Promise yourself to participate."

Get those vacations planned! Include our conventions in them!

WOMEN OF THE MONTH

Oklahoma Chapter, Aswa, is very proud of two of their members who were among four, out of 23 successful applicants, to pass the CPA exam the first sitting. Miss Tribbey, at 21, is the state's youngest woman CPA and Mrs. Parks, 22, runs her a close second.

We offer congratulations to Miss Dorothy G. Willard, C.P.A., a partner in the firm of Charles F. Rittenhouse & Company. She has a history of accounting firsts in Massachusetts.

Miss Willard was the first woman to receive the Massachusetts Society's Gold Medal for the highest grades in the CPA examinations which she took in 1931. She was also the first woman to serve on the A.I.A. federal tax committee (1950).

Now she becomes the first woman ever appointed to membership to the Massachusetts Board of Registration of Certified Public Accountants. Her appointment was confirmed for a five-year term by the Governors Council on September 29, 1955.

Mary Lanigan, a partner in the San Francisco firm of Lester Herrick and Her-

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While all material presented is from sources believed to be reliably correct, responsibility can not be assumed for opinions or for interpretations of law expressed by contributors.

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IDEA EXCHANGE

By MILDRED SWEM, Los Angeles, California

Tip for your typist

You can eliminate the time-consuming and annoying necessity of adjusting the paper holder each time you insert an envelope, card or check in the typewriter by a very simple practice.

Place the envelope in the typewriter in position. Then before typing, insert the second envelope fitted in between the platen and the exposed bottom edge of the first envelope. When typing is completed and the first envelope is rolled out of the machine, the second one is in position and ready to be typed.

—*Marian Wood, Grand Rapids Chapter*

Speedy Agency reporting

A small insurance agency which writes for several companies is very interested in knowing its total writings for each company at the close of each accounting period. To avoid adding each company's totals separately at the end of an accounting period, try the following method of posting Accounts Payable.

At the start of the new year set up a five column ledger sheet for each company with the following headings: DR. Payments, CR. Net Writings, Commissions Earned, Gross Writings and Balance. From the Cash Journal post the totals of the Account Currents for each company. It takes only a few minutes to post these totals, and it gives a year to date total of the business written in detail for each company.

—*M. Gail Rice, Grand Rapids Chapter*

You can write a better letter

Perhaps no one expects accountants to write good, understandable letters. Perhaps the very nature of their work makes them write letters that are too wordy, too long, too involved and too formal.

If you have been guilty of these errors in the past, help is available. The U.S. Government has published a Records Management Handbook entitled "Plain Letters," now on public sale. The pamphlet is interesting to read and is chock full of suggestions on how to improve everyday correspondence by using "straightaway English."

You can secure a copy by ordering from the U.S. Department of Commerce field office in your city or the U.S. Government Printing Office, Washington 25, D. C. The cost is only thirty cents (cash only accepted)—truly a small investment for big dividends in better relationships.

—*Gertrude M. Hunkin, Cleveland Chapter*

Subscription follow-up

A company, as a general rule, subscribes to a number of magazines for its Executives and Department Heads. In order to check invoices for correctness of renewal date and price, a list of all subscriptions, showing the number of years subscribed for, the price and the latest date of payment, will be a timesaver. There will be no need to go back to prior years' files for this information every time a renewal invoice is processed for payment. This system works equally well for dues, office machine maintenance agreements and rentals.

—*Minnie Haan, Holland Chapter*

A sales tool—accounts payable

If you are associated with a service company or the distribution of a product, you may be overlooking revenue by not considering reciprocity. The same postage and envelope in which your payment check is remitted can request the payee to consider purchasing your product or service. The short memo might read:

"We are glad to send you our payment, and would like you to consider us the next time you need."

It is surprising how many of us need reminders.

—*Theia Cascio, Los Angeles Chapter*

Form 566 detail

In keeping records, statistics, etc. for a group of Corporations, an easy, accurate way to get out form 566 for rents, interest and dividends is to keep a monthly record of each payee. Then at the end of the year you need only to add December and the forms are ready for the typist.

—*Martha Houck, Atlanta Chapter*

TAX NEWS

By LOUISE A. SALLMANN, C. P. A., Oakland, California

The most important piece of "tax news" your editor has been exposed to within the last month or two is the amendment to the tax Code liberalizing the Retirement Income Credit. The President has signed Pub. Law 398 amending 37 to:

(1) Permit a person eligible for the retirement income credit to earn \$300 more a year without losing any credit. For 1954 and 1955, every dollar of earned income over \$900 reduced retirement income on which the credit is based. This limit has been changed to agree with the Social Security regulations allowing an individual to earn up to \$1,200 per year without losing such benefits. Effective for the year 1956 and later years, he will no longer lose retirement income credit by reason of earning up to \$1,200 per year.

(2) Permit a person 72 or older to earn any amount without reduction of the retirement income credit because of earnings. The age limit under the 1954 Code has been 75 whereas the Social Security regulations specify age 72.

The above amendment may, to a certain extent, answer the question most frequently proposed by the farm operator who was just this year covered for Social Security benefits under self-employment taxes. His question is this. As a farm operator, I am required to pay self-employment taxes in order to benefit under Social Security regulations. However, unlike a businessman I cannot very well withdraw from the active operation of my farm leaving an investment which will produce retirement income, such as, interest income. I could, of course, lease my farm property to a tenant farmer, collect rents and qualify for Social Security benefits and or retirement income credit.

Most life-long farm operators are not only loath to leave their land in the care of another but when and if they are forced to do so retain sufficient prerogatives to categorize themselves as operators for Social Security and Retirement Income purposes.

The reduction of the age limit from 75 to 72 will secure not only the right to benefit under the Social Security regulations but also the Retirement Income Credit at a reasonable age.

Retirement income has become an issue

in more ways than one in tax legislation and tax court decisions in the past few years. Under a qualified pension plan the employer's contributions are deductible when made but don't result in immediate tax on the employee. Here again, most business men can benefit by changing from a sole proprietorship or partnership to a corporate form of doing business. In this instance, the discrimination is not only against the farmer but the professional man as well.

A glimmer of hope was gleaned from the Government's decision not to appeal the case of Kintner, CA-9, 216F. 2d 418, 46 AFTR 995. The Federal Court of Appeals ruled that a group of 8 doctors, formerly practicing as partners, could get the benefits of a qualified pension plan by setting themselves up as an "Association." Although partners are not employees of their own partnership, and a corporation can't practice medicine, nevertheless for tax purposes the Court treated this Association as a corporation and the doctors as its employees. The Revenue Service *now* says it won't follow the Kintner case. (Revenue Rul. 56-23, IRB 1956-4).

The Commissioner takes the position that rental income, farm income, income from professional fees results from engaging in a trade or business particularly in cases where such a definition works to the taxpayer's disadvantage. In the Anders I. Lagreide and Grier cases, even the renting of a single residence was considered to be the use of property in a trade or business. However, when such an interpretation might benefit the taxpayer, rentals are barred from coverage under self-employment taxes (except in the case of real estate operators), professionals are denied the advantages of corporate officers, and farm operators wait until age 72.

(Continued from page 3)

rick, was one of four "outstanding women in the business world" to be honored recently at a dinner given by the Business and Professional Women's Clubs of San Francisco.

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THE ACCOUNTANT AND ESTATE PLANNING

By **ETHLEEN LASSETER, C. P. A., Atlanta Chapter, Aswa**

Any discussion of the accountant and estate planning must of necessity begin with a general discussion of estate planning.

What is estate planning? All too frequently estate planning is considered to consist simply of making a will. Certainly, the will is the cornerstone, and the importance of properly drawn wills cannot be over-emphasized. Wills, however, important as they are, are but one of the several elements involved in a complete estate planning job.

Often estate planning is looked upon as a scheme for tax savings, or—perish the thought—tax evasion. The incredibly complex tax laws of today, and the involved forms of property ownership and transfer, that have been the natural result of those laws, have focussed a wider and more intense attention upon the importance of estate planning. Also, the fact that taxes, both income and estate taxes, can be minimized legitimately through a sound plan should not be overlooked. Nevertheless, any estate plan would be dangerous indeed if tax savings ideas were the sole basis for the plan for the devolution of property. Tax savings, like the will, is but another of the elements of an effective estate plan. Of paramount importance over all others is the human element.

The two basic objectives of an estate plan—and they are of equal importance—should be:

- 1) "To effect a plan of ownership and control of property, within the family group, that will produce a maximum of enjoyment, security and benefit for the owner during his lifetime.
- 2) "To make such plan for the devolution of property upon the death of the owner that will produce the maximum of enjoyment, security and benefit for his beneficiaries after his death."*

To accomplish those objectives, the overall estate plan must be designed to minimize the destructive forces that constantly attack estates and invade the rights and benefits of the owner or beneficiaries. In addition to taxes those forces

include economic trends, bad management, human weaknesses, and inflexibility of the documents under which administration must be carried out.

In designing such a plan, there are three cardinal principles that must be kept foremost in mind.

- 1) Liquidity must be sacrificed only to the extent clearly determined by necessity. Often a person's earnestly developed plan is wrecked completely because he failed to provide sufficient liquid assets to cover debts, taxes, and expenses.
- 2) Plans must be flexible enough that the fiduciary will be able to reasonably meet the unexpected. A will drawn when the family fortunes are at the height of prosperity and happiness may be probated at a time when fate has completely reversed the wheels of fortune.
- 3) Capacity to work and earn may be far more important than invested wealth. Salaries or earned incomes of \$10,000 are not uncommon today but it would take an estate of at least \$200,000 to produce income of equal amount.

The Testator and His Family

The basic fundamental of an estate planning job is a thorough knowledge and understanding of the nature and characteristics of not only the estate owner but also of each member of his immediate family. What is his age and condition of health? His wife's age and condition of health? What is her general attitude toward the children, especially if there are children by a former marriage, and toward her husband's personal and business activities? Is she, or the children, extravagant or conservative? Does she, or the children, have, or are they likely to inherit, independent estates? What are the ages and marital status of the children? Are there any adopted children? (Reference to children in wills as "issue" or "descendants" could exclude adopted or step children). Are there any deceased children who left children surviving? Will any of the children, because of physical or other

* *Trusts and Estates*, 1950.

handicaps, require special provisions or different handling, for his or her share? Are there any other dependants to be provided for—parents, aunts or uncles, nieces or nephews? Are there any abnormal situations that must be dealt with?

What are the estate owner's wishes in regard to plans for provisions for his family after his demise? Does he wish his wife or sons or sons-in-law to assume control and management of his business? Is it his desire that any of the children have special education and training for a profession, or that they be encouraged to establish their own business? Does he have an interest in any pet civic or charitable projects that he wishes continued? What is the nature and extent of his personal liabilities, both actual and contingent? Does he wish his wife to be spared from all the responsibilities and risks of property management, or is she really capable and willing to carry on? What else does he hope to accomplish during his lifetime, then through his estate?

With all the pertinent information concerning the individuals involved in hand, the attention of the estate planner turns to the property of the estate owner, the property that must be marshalled and employed to accomplish his aims. How can the ownership and control of that property be arranged to produce the maximum in enjoyment, security and benefit during the remainder of the lifetime of the owner, or creator, of the estate; also, thereafter? Which of the many tools of estate planning can be employed most effectively?

Estate Planning Tools

Estate planning tools available to the estate planner are innumerable. A few are simple, but most are terribly complex and require the technical knowledge and skill of professionals in selection and application. Often professionals from several fields are required. In the matter of selection of estate planning tools, the security of the owner while he lives, and the welfare of his family following his death, should be given primary consideration. When the best plan in that respect has been determined, then considerations should be given to putting it into effect with the greatest tax savings that is practical. Tax savings schemes that border on tax evasion should be avoided as they are sure to lead to trouble sooner or later—usually when it is too late for corrective measures. The skilled tax practitioner, however, often can suggest an almost infinitesimal change in a plan or instrument

that will not disturb dispositive plans but will save an untold sum in taxes over a long period of years for the benefit of perhaps two generations or more. Space does not permit a comprehensive discussion of the estate tax devices available, only brief mention of those most widely used.

Trusts

First and foremost, there are trusts. From the standpoint of accomplishing the ultimate aim of the owner in providing for his family and philanthropies, or of controlling the impact of taxes and economic forces that constantly attack estates, trusts have unlimited possibilities. Mostly, however, trusts are very complex and unless properly planned and executed they can be equally disastrous.

Unfortunately there are some persons who still associate trusts with spendthrifts and incompetents. Also, there are many who feel that gifts in trusts, or estates in trust, indicate that the Donor or Testator lacks confidence in the stability and judgment of the donee or beneficiary. Instead of being looked upon as a reflection in any respect trusts should be looked upon with great pride. They are a means of providing combined matchless experience and continuity, granting of course that an experienced corporate fiduciary is appointed, in property management, investments, tax matters and estate administration. Certainly, no one individual could possess all the qualifications required to administer a complex estate.

Frequently, the larger income a man and his family enjoys is dependent almost wholly upon a franchise. As companies granting franchises prefer personal ownership management it is extremely difficult at times to retain the earning power of franchises for beneficiaries of the owners estate. Nevertheless, many families continue to enjoy substantial income because the owner left his business in trust, naming an experienced and influential corporate trustee who through skillful negotiation was able to retain the franchise for the trust estate.

Revocable Trusts

When the numerous advantages of revocable trusts are considered, it is surprising indeed, and not to the credit of estate planners I fear, that they are not more widely used. It indicates that tax saving too often is the motivating factor in establishing trusts.

Properly planned, the revocable trust can obviate the necessity of probate in small, or comparatively simple, estates. In addition to eliminating, or greatly reducing, administrative costs, they provide a greater degree of privacy in states where inventories, appraisals and accountings must be filed with the Court to become public records. The principal of the trust is not subject to the perils of testamentary property. Seldom are revocable trusts upset by unsound mind and undue influence factors. Nor, is the principal subject to the creditors of the grantor or his estate (if he were solvent when the trust was created).

If the grantor's estate is of sufficient proportions for estate tax to be involved, a secondary or succession federal tax in the beneficiary's estate may be avoided by providing a succession in beneficiaries, within the limits of the law of perpetuities, of course.

No one likes to think, much less talk about becoming incompetent, but it happens every day, among the wealthy as well as among the less fortunate. For all those legally declared incompetent, there is an even larger number who would be except that their families would feel embarrassed over the publicity that attends guardianship. Of course the greatest disadvantage to guardianship, and one the family seldom realizes, is the unnecessary court costs and bond. The revocable trust serves no greater human need, especially for elderly people, than as a means of insuring continued maintenance, support, and medical care of donors, when such circumstances arise, without the costly and unsatisfactory processes of guardianship. To accomplish such purposes, it is necessary that the trust instrument give the trustee full authority to make purchases and sales, and to disburse income and/or principal for the benefit of the donor, or beneficiary if the trust should be created by someone else. Similar arrangements are equally desirable in trusts, whether *intervivos* or testamentary, where there is any possibility of minors being involved and it is not at all unlikely, when income is bequeathed to adult children, that it will be minor grandchildren who actually will receive it.

And of course, we should not overlook the fact that the revocable trust is just what its name implies—revocable. There can be disastrous results indeed to irrevocably relinquishing all rights to an interest in life estates or in the property itself if it might subsequently be needed for the support and welfare of the donor.

The Marital Bequest

The marital deduction bequest, under which estate tax on up to one-half of the adjusted gross estate may be deferred until the death of the surviving spouse, is the newest estate planning tool. Like all tax savings devices, however, unless used with caution it can result in increased taxes. Consequently, careful consideration must be given its many aspects and its possible effect on the combined estates of both spouses.

If the surviving spouse has a relatively substantial estate of his or her own, the marital deduction pyramids property that will be taxable to the estate of the surviving spouse. As a result property escaping estate tax in the first estate will be taxed at a higher rate in the second estate. Even so, however, it still may be found to be advantageous when consideration is given to the income that could be earned during the remaining lifetime of the surviving spouse on the amount saved in estate taxes upon the death of the first spouse to die.

On the other hand, if the surviving spouse has little or no estate, or if it is likely that a substantial portion of the property passing tax free upon the death of the first spouse will be consumed for support during the remaining lifetime of the surviving spouse, considerable estate taxes will be saved, not merely deferred. In such instances, however, it is important that wills specifically provide that marital deduction property be consumed entirely before other property or funds become available for support of the surviving spouse.

It is important also that a sufficient proportion of the property be of a qualifying nature and that the will provide that only qualifying property be used in satisfying the marital bequest.

Contrary to the belief of all too many estate owners, it is not necessary that the marital deduction property be bequeathed in fee simple in order to obtain maximum tax savings. By providing a marital trust and residue trust, all property may be given the protective shelter afforded by trusts. Upon the death of the surviving spouse, however, any unconsumed portion of marital trust property is subject to disposal under the will of the second spouse. That may be to a second husband or wife, or a second set of children. In such instances the first spouse might consider increased estate taxes are preferable

to giving up control over the ultimate disposition of his property.

Probable life expectancy of each spouse, as well as the size of the estate of each, is of especial importance in determination of the extent, if any, the marital bequest is to be used in estate planning. It also necessitates frequent reconsideration of the question as time passes and family fortunes change.

Gifts

Gifts, or transfers during lifetime, properly planned and executed, are often the most effective means of accomplishing not only the client's wishes but also the utmost in overall tax economy. All too frequently, however, proper consideration is not given to the many factors involved and the tax consequences are not realized until the impact of a substantial tax assessment hits the transferor, or his estate. Often property or income is transferred without the transferor realizing that he has incurred a liability. The tax may even be the liability of someone other than the donor or donee.

Whenever gifts are employed as an estate planning tool, the possibilities of tax consequences should be explored thoroughly, and that involves three kinds of taxes: income tax, gift tax, and estate tax. Often substantial savings in one kind of tax will result in increased overall taxes. In determining subsequent capital gains, the donor's cost basis remains the basis of the property in the hands of the donee, although gift tax, and perhaps estate tax also, may have been imposed on the property at a much higher value, thereby often making it inadvisable for the donee to reduce the property to needed cash. However, under the 1954 code, property still in the hands of the donee at the time of the donor's death takes a new basis—the Estate Tax value in the donor's estate.

Consideration should be given to whether the property has appreciated or depreciated in value; also, to who could better use a capital loss, the donor or donee. In many instances, unfortunate tax consequences can be avoided by selling the property and making a gift of the proceeds.

Even though gift tax was paid on the transfer of property during lifetime, the property may later be taxed as part of the estate of the Donor on the contention that the gift was made in contemplation of death. The Revenue Act of 1950, however, mitigated to a considerable extent that danger with the provision that if the donor lives three years after the date of

the transfer, the gift will not be presumed to have been made in contemplation of death. The uncertainty of life, however, warrants that some evidence that the motive for the gift was connected with life and not death should be preserved.

Even though property transferred is subsequently subjected to estate tax, it is quite possible, nevertheless, to effect a worthwhile tax savings, in some instances, through transfers during life since estate tax must be paid on property which is liquidated for payment of the estate taxes while gift tax is assessed only on the property transferred. Also, it should be remembered that under the marital deduction provisions, gifts made to a third person, under certain conditions and upon consent signed by both spouses, may be considered as being made one-half by one spouse and one-half by the other, affording double use of the \$3,000 exclusion and \$30,000 exemption.

While the marital deduction has greatly minimized the tax savings effect of interspousal transfers during life, they too are still worth considering as they are at least a hedge against loss of the marital deduction by the prior death of the spouse possessing the smaller, or no estate.

While the possibilities of gifts, whether made in trust or outright, are unlimited, the complexities involved warrant that the utmost in consideration be given every aspect of the gift.

The Accountant

An adequate estate planning job usually requires the combined knowledge, skill, and efforts of the so-called four man team—the lawyer, the life underwriter, the accountant, and the trust man. Strange to relate, it is only in recent years that the accountant has become generally recognized as a member of that team. Even now he is not given the recognition that his profession merits, or that estate planning needs. The majority of articles, speeches and advertising material stressing the importance of cooperation in effective estate planning, fails to mention the accountant as a member of the team. Why? Could it be that those who developed the idea of cooperative estate planning have failed to recognize that often the services of the accountant are indispensable to a thorough job. Or, is it that accountants have overlooked a brilliant opportunity to render valuable services to their clients, above and beyond the call of normal duty?

Unless the estate is comprised solely of insurance and listed securities, an accountant will be needed for the exact calculations required to determine the value of closely held stocks and business interests, the most advantageous form of capital structure, or the cost basis of property to be transferred by gift; to arrange for the redemption of stock as now provided for the payment of estate taxes; to prepare estate and fiduciary tax returns; to furnish the owner and executor with comprehensive statements that present an unbiased picture of the condition of businesses and the story of operations reflecting the effectiveness of management.

That the very essence of estate planning is team-work is generally accepted. However, the question often arises as to who should initiate an estate planning job, or who should captain the team, and call the plays. It would seem that the job should be initiated by the member who, whether by chance or not, has the first opportunity, or the one who first gains the complete confidence of the estate owner, and is able to prompt him to action.

Here again the accountant is extremely important. Often it will be the accountant preparing the estate owner's tax return, or auditing the books of his business, who first realizes the owner's estate involves such complex problems that only through careful and immediate planning may the maximum of enjoyment, security and benefit be obtained during the life of the owner, much less after his death. Initiating an estate plan affords the accountant an excellent opportunity of making his influence felt as a useful member of the estate planning team. There are a surprising number of substantial and highly profitable businesses that are strictly one-man affairs. In event of the untimely death of the owner, his estate, if comprised solely of that business which is often the case, could evaporate almost over night. It is the accountant, usually, who first realizes that such condition exists, and who, because of his knowledge of the personnel and the confidence the owner has in his judgment, is in position to direct attention to some employee who could, and should be developed into a key-man.

The question of WHO shall initiate an estate planning job is not nearly as important as that other members of the estate planning team whose services the particular estate might need, will be consulted at the appropriate point; also, that the professional consultant be one skilled in estate matters, or that he say so. A

physician engaged in general practice would not attempt brain surgery. Drafting wills and trust instruments requires the same degree of specialized skill in the field of law that brain surgery requires in medicine.

In view of his experience in administering estates, which usually is where the pitfalls first came to light, the corporate fiduciary has unsurpassed qualifications for serving as coordinator of the estate plan. Certainly, the plan should be submitted to him for review before the legal documents involved are executed. After all he is the one who will carry the ball after the death of the owner.

The technical knowledge, skill, and experience of the professionals will come to naught unless applied with a completely open and unbiased mind. The pitfalls that came to light during administration often indicate that the original plan was guided by the pet prejudices or personal motives of some member of the team, rather than by a wholehearted interest in the welfare of the owner and beneficiaries of the estate. Life underwriters sometimes oversell option settlements when life insurance trusts, because of flexibility, would be more advantageous to the beneficiaries; or, in order to sell a large policy, develop some fantastic tax saving scheme which boomerangs the minute the insured dies. The attorney who won't provide a trust in drafting a will is not unheard of. In one estate recently, it seemed that the only possible way to raise cash for debts, taxes, and expenses without entirely wrecking the estate would be to borrow money. The will, however, did not contain any provisions authorizing the executor to borrow. It later developed that the attorney who drew the will did not believe in executors borrowing money! Neither did he provide any magic formula for getting blood out of a turnip. Of course the attorney, like the testator who was in his early 50's, did not expect the will to be probated for many years, by which time the estate would likely be in a satisfactorily liquid position. Unfortunately, however, the will was probated in less than a year after it was executed. That illustrates the reason for one of the cardinal principles in will drafting—a will should always be drawn as if the testator expected it to be probated the next day.

Estate planners have a responsibility, not only to estate owners and their beneficiaries, but also to society in general to conserve and preserve the wealth represented by personal estates.

A TASK FOR YOU—A TASK FOR ME

By MARY LOUISE FOUST, C. P. A., Louisville Chapter, Aswa

Miss Foust, attorney and accountant, has recently taken office as Auditor of Public Accounts of the State of Kentucky. This address was delivered before the Council of Delegates, National Association of Women Lawyers, in Chicago, in February.

The CPA—Attorney controversy over tax practice should not exist. If two professions cannot complement and supplement their respective services harmoniously then I should say they are not professional.

When one examines early statements regarding whose field tax practice is, one wonders that lawyers have the audacity to about face and now try to establish an apparent monopoly except that they have awakened to the fact that it is a lucrative field and they should have the plum.

In 1928, an attorney, R. M. Stroud, made this statement before the Wisconsin Bar Association, "Certain parts of the work—usually the earlier stages of ascertaining tax liability—only the accountant can efficiently perform; that work would be quite beyond the competency of the attorney. In threshing out the problems of accounting with state or federal auditors the certified public accountant may be much more effective than the attorney."

The New York Bar Association Yearbook of 1929 contains this statement, "The great field of taxation, including reporting, the Treasury Tax Unit and the Board of Tax Appeals, has been all but taken over by the accountant fraternity, which seems to have proved itself the more fit to survive in such environment."

In 1937, an attorney, Leo Brewer, addressing a Joint Meeting of Accountants and Lawyers at San Antonio, Texas, posed and answered the question, "Who can more efficiently serve the client, the lawyer or the accountant?" His answer was, "By applying the test of benefit to the client, I am convinced that most of the field of taxation will fall within the realm of the accountant." He did go on to add, "Where, however, a question of law is involved, the client should have a lawyer in addition to an accountant." To that last statement the Certified Public Accountants subscribe, as is evidenced by such a provision in the Statement of Principles adopted by The American Institute of Accountants and approved by The House of Delegates of The American Bar Association.

At the Ohio Institute on Accounting in May, 1931, an attorney, Lionel P. Kristeller, addressing the group made this statement,

"No lawyer, unless he is qualified by specific training, can properly prepare these returns (tax returns). He ought not to attempt the undertaking if the client is to be wisely represented and the return accurately compiled."

As late as 1944, a Massachusetts attorney, Robert G. Dodge, writing for "The New York CPA," made this statement, "Tax work as has often been pointed out, has been neglected by lawyers and the average lawyer does not know anything about it."

It was the postwar step-up of income tax investigations that put many taxpayers under closer surveillance that awakened the attorneys to the fact there was a lucrative area of practice they were overlooking. It appears they immediately sought to remedy their plight by singling out isolated cases to term unauthorized practice of law.

The Bercu case was at bar in 1947 in the State of New York. The Conway case, a Minnesota case, was decided in 1951. The most recent case in which a CPA was denied the right to collect a fee for services termed by the court "the unauthorized practice of law" is the Agran case handed down in The Superior Court, County of Los Angeles, California, June 14, 1954. The Agran decision is not binding on other state courts and not even binding upon all California courts.

My personal opinion is that the accountants should not have become alarmed about the Bercu case. Mr. Bercu had rendered a service that bordered on legal counseling, if it could not be actually termed such. By his own words he was in the habit of rendering such services independently of any accounting assignment. It appears the case was carefully selected by The Bar Association, and is not typical of tax practice by Certified Public Accountants. It is necessary that a CPA know and understand tax law in order to be guided on related accounting records, and there can be no criticism of his acquainting himself with any and all Court decisions or Treasury rulings. When that knowledge is used in connection with an accounting assignment I should say a court ruling that he is practicing law would be ruling against public policy. He has prepared himself to serve the public as a CPA

and having augmented his background by acquainting himself with court decisions is using the knowledge to better serve his client.

At this point I should like to come to Mr. Bercu's defense with this observation, he was attempting to provide the client with a service a lawyer was ignoring. The company to whom the advice was given had a lawyer employed whose knowledge was not current on the point in question. The question is, who can provide the service?

The first tax case I had, and I speak of case and not tax client, came into my office when I had been practicing about six months. It was already in the tax court stage when the taxpayer came to me. When the federal agents first started the audit and investigation the client had engaged an attorney who practiced tax law but seemingly made no effort to provide the client with the professional service a lawyer holds himself out to do. He had permitted a net worth settlement to become final and the federal authorities to slap a jeopardy assessment on the taxpayer's equipment, and the intelligence division to conduct an annoying investigation. The taxpayer, an unschooled person, knew not which way to turn because he thought his legal counsel was handling the case. He had turned it over to the attorney, and when no cooperation was had the federal authorities became aggravated. The client brought the case in to me and it was not long before the Intelligence Division withdrew from the case. It required work on my part to delve into his records and ascertain that while there had been errors in reporting they were through ignorance. The client had employed a bookkeeper at a minimum salary which resulted in his not having the most competent help, and a lawyer annually to prepare the income tax return. Two lawyers to whom he had paid fees were out of the case now because their services had not been adequate.

Since the case was at the tax court stage I encouraged the client to employ another lawyer who would use the information I had obtained as an accountant. He was not interested. My services had been such as to give him confidence in me, and he desired no other since I was a lawyer and could serve in that capacity too.

Dean Griswold of The Law School of Harvard University considers that the "practice of law" approach to the problem begs the question. Proceeding from that major premise to a minor premise that if the problem involves a matter of law then it is "practice of law" and can only be done

by a lawyer is erroneous according to this learned gentleman. He questions, "Must all policemen be lawyers?" You can follow his thinking there. Policemen interpret the law.

The accountants have not wanted to invade the field of law, but any lawyer who refuses to admit that an accountant can render better accounting service if he is acquainted with the law is narrow indeed. An accountant who successfully passes the CPA examination has passed a section on business law. That was incorporated in the examination to insure the public that the accountant had sufficient knowledge of law affecting business matters that he could more effectively serve the public. A person who successfully passes the examination has demonstrated a knowledge of taxes because tax questions are included in one of the four sections.

The line between the practice of the certified public accountant and the practice of the lawyer cannot be drawn with precision. As stated in *Cowern v. Nelson*, 207 Minn. 642, "Lawyers should be the first to recognize that between the two there is a region wherein much of what lawyers do every day in their practice may also be done by others without wrongful invasion of the lawyers' field."

The areas in which the services of the CPA are customarily employed in federal tax practice are:

1. Preparing federal income tax returns for taxpayers.
2. Representing a taxpayer before the Treasury Department which includes representing him at all levels of the Internal Revenue Service.
3. Advising a client on the tax consequences of an actual or contemplated transaction.
4. Representing a taxpayer before the Tax Court of the United States.

The areas are not clean cut and those of you familiar with court decisions and legislative proposals know they often cut across two or more of these areas.

The overwhelming proportion of the government's employees actually administering the tax laws are not lawyers but accountants. It is often psychologically beneficial that a lawyer not be sought to represent the client in the conference before the audit staff. Since income determination is the accountant's excuse for being, the accountant has the proper background to interpret the information with the same eye as the auditor in charge. The courts and official bodies whose duty it is to supervise the administration and enforcement of the federal income

tax laws seemingly see no need to define and delimit the areas of tax practice in which accountants may engage. The Tax Court permits CPA's to practice before it and has said that accountants should be permitted to assume jurisdiction of the incidental legal questions that may arise in connection with preparing tax returns. Speaking of the Tax Court, the Internal Revenue Code provides that "No qualified person shall be denied admission to practice before such Court because of his failure to be a member of any calling or profession."

In the income tax field both the lawyer and the accountant have a function to perform. The service rendered should be the criteria for evaluation, and competition in the market place will decide the question. I believe in professional licenses and qualifications for obtaining such, but I have seen instances of non-professional persons having passed the necessary examinations who are not an asset to the professions.

The admission to the practice of law in this country has been in the control of the states and therefore the area of practice questioned can be different in different states. Some states require that a person qualified to practice either profession elect which one he chooses to practice, and Dean Griswold is suggesting such a system for tax practice which is under the jurisdiction of the federal courts.

If a man has been successful in obtaining the license in both professions, *who* that is a member of only one of the professions is to say there should be legislation to make him elect which profession he chooses to practice? My belief is that such action is against public policy, since a person qualified in both professions can more ably serve his client. Why should the CPA—Attorney be forced to tell his client he will have to get a lawyer, thus imposing an additional fee? The CPA—Attorney fee should be higher if he serves in both capacities, but I dare say more reasonable than two separate fees imposed on the client.

The service should not be sold on a fee basis, however. To more perfectly point up the importance of adequate service I cite another personal experience. A farmer came into my office last winter with his records and a recap sheet of income and expenses. He had employed the services of three different persons the three years immediately preceding and paid ten dollars each year for the service. Considering he had not

received anything for the ten dollars, each year he had sought better counsel. The qualifications of those whose services he had used were two lawyers and one public accountant. When he started to leave my office he was planning to take the records and leave me the recapitulation sheet. I suggested that I should like for him to leave the records too. He did. I prepared the tax return and charged him one hundred dollars which he readily paid. He came back this year expecting to pay the same. Your clients will pay for a service if you have rendered it.

I may insert this word of warning to you lawyers. It is recognized among accountants that some of the best tax cases for our field of service often come from instances where lawyers, without adequate accounting knowledge, have been preparing tax returns. I am acquainted with a case wherein a practicing attorney in tax trouble could not even draft the petition to file with the Tax Court, and his accountant had to draft it for him, which practice the Tax Court itself does not frown upon.

As I said earlier, the Certified Public Accountants do not want to practice law. They are interested in serving the public as accountants and one area of such service is tax practice. It appears that the legal fraternity, rather than being alarmed because the accountants were successfully buttering their bread from their service in the field of taxation, should be satisfied that there is enough for all who are willing and qualified to work at it.

"A Task for You, A Task for Me." The task is, not to let the controversy result in decreased service to the taxpayer and improper tax amounts collected by the Federal Government. If the energy and time expended on trying to suggest that one profession has invaded the field of the other were used to better the services each profession renders, the taxpayer and tax collecting agency will benefit.

The S which stands for service, and you must admit you are a service profession, is too often obscured by the parallel perpendicular lines through it. The \$ sign is foremost in the eyes of too many practitioners. Be sure the S before your eye is the S for service and not the S with vertical lines. You'll do a better job and more rightfully earn your fee if the benefit you can be to your client is foremost, and not the benefit he will render your bank account.

EFFECTIVE WRITTEN COMMUNICATION

By GRACE W. HUGHEY, Atlanta Chapter, Aswa

The success of many business enterprises is dependent on the effectiveness of their written communication system. Writing becomes very important when we realize that it is a major means of contacting the customers or clients with whom we conduct our business. Business organizations should emphasize the importance of improving the quality of their letters to the public, thereby increasing their business and building good will.

The best test of an effective letter is whether or not it gets results. Do "please remit" letters usually bring prompt responses with a check? Are requests for information always honored? Do people do what your letters ask them to do?

The effectiveness of a letter depends not only on how well-reasoned or logical it is, but on how the reader reacts when he reads it. Can you, as the writer, find out how the reader reacts when he reads your letters? One of the best ways to understand the effect your letters have on the recipients is to make a careful study of those that you receive. Remember those two letters from charitable organizations asking for a contribution? In response to one, you enclosed a check. The other you tossed into the waste basket. What was it about the first letter that made you send a check, and why did you toss the other one away? If you can spot the real differences, then you are making progress.

Now, check your own letters by having someone read the carbons of those letters which did not get the results you wanted. What is his response to each letter? You may find it wise to get an unprejudiced idea of why your letters are not getting the results you desire. To achieve this, you might have copies of the letters made which would omit anything that would identify you as the writer.

Those who are disgruntled about their jobs or feel frustrated and angry tend to unload their resentment on the people to whom they write. For this reason, it is best to postpone writing an important letter if you are upset about something or not feeling well. Many people who write defective letters do so because they compose their letters under pressure. Such a letter may require two or three readings before the message is clear. It may land in the wastebasket before the second reading. To be

certain that your letter receives the proper response take time to frame an answer in your own mind. Remember that one letter written under pressure or in a state of ill feeling may cause the loss of a large contract or generate ill will in your best customer or client.

We, as accountants, are in a position to make a valuable contribution to effective written communication. At the end of an audit or investigation, we give our clients a written report of what we have done. We may use a long or a short form report. Also, we are under constant call from laymen for information upon technical questions of great importance to them.

Explaining technical points with exactness, completeness and objectiveness in a form that can be grasped by the client is a difficult type of writing. Letters and advertising copy directed to the public are oratorical and journalistic while the accountant's reports and memoranda are plain statements of facts. Giving effective form to such a series of remarks, statements and sentences is the heart of the accountant's writing problem.

Laymen often complain that what their accountant gives them to read is hard to understand, needlessly detailed and heavy. This is often due to failure to make allowances for the reader's mental habits and ordinary usage of words having a technical meaning to accountants only. An important factor in the production of well written reports and memoranda is the accountant's attitude towards his task. Is he unnecessarily afraid of cheapening the quality of his messages by use of less technical and more easily understood words?

What kind of language is best suited to the requirements of the accountant's material? The language must be objective as well as correct. Facts must be stated just as investigation reveals them. Everything must be put into explicit statements. Sentences should be kept as short and as free from complexity as possible. The main thought should stand out clearly. The accountant must remember that he is writing to suit the readers' nature, situation and taste which presents in itself the problem of forming and arranging ideas in logical order. The tendency to assume that what is logical and clear to him is also clear to other minds is a natural but mistaken as-

sumption. The accountant who can train himself to look at his writing from an outsider's point of view can easily make his meaning clearer.

Success involves planning in advance. Avoid monotony. The problem of monotony troubles writers in every field, not only the accountant preparing reports and memoranda for clients, but other professional and business people who are required to communicate by writing. Words should not only be suitable, but familiar; clauses should be short and simple; sentences should be of moderate length; and paragraphs must have unity and coherence.

In order for an accountant's communication to be effective he needs to accept the responsibility of stating his thoughts clearly and simply. He must develop habitual care for correctness of details of language form. He is not trying to prove a point, but is concerned with the facts of a situation. His writing, therefore, consists of a succession of statements of fact, of definitions and deductions supported by specific detail remarks. For an accountant's communication to be successful as well as effective, he must learn to manipulate the elements of rhetorical structure to produce the specific results he desires.

Well written communications are not only necessary in conducting our business with customers and clients but also within our own organizations. We depend to a great extent on internal written communications to get our work done. We tell executives and employees of our policies through written statements or memoranda of one kind or another. We depend on these memoranda for giving instructions and exchanging essential information. We keep informed by means of written reports. We try to get people to follow procedures by sending them written guides. We tell them how to do their jobs by providing them with instruction manuals and job descriptions. The written word, in many organizations, is our chief means of training.

There are probably many instances of failure to follow instructions simply because the instructions or policy statements were capable of misinterpretation. Writing that can be misinterpreted, that is hard to understand, or that is so long-winded that people just don't have time or patience to read it carefully can break down office routine. Simple procedures are oftentimes described in a manner that is so hard to understand that employees feel it is easier to write to the central office than to struggle through the confused phraseology in the instruction manual.

Ten words are often used where five can express an idea more clearly. Such writing wastes our time and tries our patience. Time can be saved by cutting off unessential words and phrases, avoiding roundabout expression, substituting a word for a phrase, and avoiding repetition.

Before you write, plan! Four good points on planning a written communication are:

1. Carefully analyse the incoming message, if there is one.
2. Get a mental picture of the reader, visualize his problem, his background on the subject, his interests, what he is like. We write for others, not for ourselves.
3. Have the purpose of your communication clearly in mind.
4. Make a mental or written outline, with each important topic expressed in a word or phrase in proper sequence.

After you write, ask yourself, is it?

1. Complete?
 - a. Does it give all the necessary information?
 - b. Does it answer all questions?
2. Concise?
 - a. Does it contain only essential facts?
 - b. Does it include only essential words and phrases?
3. Clear?
 - a. Can the reader understand the language?
 - b. Are the words the simplest that carry the thought?
 - c. Do the words express the thought?
 - d. Is the sentence structure clear?
 - e. Is each paragraph one complete thought unit?
 - f. Are the paragraphs in proper sequence?
4. Correct?
 - a. Is the information accurate?
 - b. Do the statements conform with policy?
 - c. Is the writing free from errors in grammar, spelling, punctuation?
5. Is the tone appropriate?
 - a. Will the tone bring the desired response?
 - b. Is the writing free from antagonistic words and phrases?

After planning, writing and reviewing, look at the communication from an overall viewpoint. How effective is it as a whole? Does it need revision? Is it fully satisfactory? If it is satisfactory, you have found that a good written communication depends upon employing effectively our English language.

ACCOUNTING AS A TOOL FOR SALESMANAGEMENT

By **WILFORD D. SAWYER**, Controller, Blackmer Pump Company,
Grand Rapids, Michigan

In the modern industrial enterprise the Sales Manager is confronted with multitudinous problems concerning marketing policy, yet, too frequently, he must solve these problems without adequate statistical and cost information. In our highly competitive economy, a Sales Manager can no longer establish sound marketing policy or develop sound sales programs without a foundation of complete statistical and accounting information.

Both the Controller of the company and the public accountant should be of great help to the Sales Manager in formulating a progressive and profitable sales program. The accountant must develop logical financial reports based on the needs of the sales department. Such statements should be developed to portray the true picture of the specific problem and do not have to follow the standard profit and loss statement form. The accountant must also interpret these statements in order to give sales management the knowledge needed to make a correct decision.

Every well managed industrial enterprise has a good cost accounting department with adequate personnel to keep close control of production costs and, usually, a budget control section assigned to assist the manufacturing managers to keep within their budgets. Very few accounting departments maintain a separate section which specializes in sales accounting. Isn't it just as important to furnish the Sales Manager with the same quality of information as is furnished the production department? The answer to this lies in the Controller's office. He should establish a "sales and distribution accounting" section under a supervisor who will devote all of his time to such problems.

Pricing

One phase of the Sales Manager's work is to develop a sales price which will give the company an adequate profit and still sell the product on a competitive price level.

The Controller can devise a formula which will meet such requirements. One such formula for setting prices is built

on the basis of costing the product on the capacity basis.

First, establish a standard cost procedure based on normal capacity production. Thus, the factory burden will be prorated to normal capacity production, and prices established will not be set too high even if operations are on a sub-normal basis. For example, if normal operations consist of one shift per day and will cost \$1,150,000 in direct labor and factory burden at this standard is \$2,000,000, then a 174% factor will be used for pricing purposes. If production drops to 80% of normal capacity and direct labor is \$920,000 with overhead continuing at the amount of \$2,000,000, the actual factor would be 217%. However, in order to keep prices competitive and to retain a price which will increase volume, the standard of 174% factory burden would continue to be used.

Direct selling expenses will be established for each type of product and a cost per unit, or dollar of sale developed based on normal selling effort. Assume that each territory requires two salesmen, one office clerk, plus travel expense. On this premise, total direct selling costs amount to \$575,000, or 5% of total capacity sales of \$11,500,000. Therefore, in pricing the product, 5% of the sales dollar constitutes direct selling cost. If actual sales are less than capacity, this standard would continue to be used for establishment of prices to keep a price which will generate additional volume.

Other general burden costs can be set as a percentage of the sales dollar on the basis of selling normal capacity.

Add a profit to be computed giving effect to current tax rates, working capital requirements, and return on investment. To determine the profit required, assume a capital stock structure of \$3,000,000 and a dividend of 8% on the capital, which results in a required payment of \$240,000. Profit required to maintain working capital and provide for expansion amounts to \$360,000, which, added to the dividend requirement, results in a total required profit of \$600,000 after taxes, or \$1,200,000

before taxes (effective tax rate, 50%). To establish the price of the product:

Profit required	\$1,200,000
Factory burden	2,000,000
Other fixed burden	2,000,000

Total	5,200,000
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Variable:

Material	30%
Labor	20%
Direct selling	5%

Total	55%
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Fixed expense	\$5,200,000
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(Selling price-variable)	45%	\$11,500,000
Units produced		1,150,000
Selling price per unit		\$10

The profit and loss statement would be prepared on the actual basis compared with the actual sales at standard expense factors, the differences being losses due to sub-standard volume.

Sales Analysis

Through the use of mechanical equipment sales can be analyzed in any combination desired. The procedure must be carefully thought out to develop all information which might be required.

Sales should be analyzed:

1. By product
2. By discount structure
3. By class of trade
4. By distributor
5. By territory
 - (a) By product, discount structure, and class of trade
6. By salesman
 - (a) By product, discount structure, and class of trade

Having prepared these sales analyses, reports can be prepared to show a comparison with the budget, and with previous years' activity. These reports can easily be prepared in graphic form for visual presentation to sales and other management groups. Studies in graph form can be easily used in sales meetings and readily understood by the individual salesman.

Profit Analysis

Although sales analyses are prepared for management use, they still do not give the whole picture. These same reports should be converted into the following profit statements, each one being carried through to show the net profit:

1. Profit statement for each product, or group of products
2. Profit statement by product group and by discount structure
3. Profit statement by territory, and by product and discount structure within the territory
4. Profit statement by salesman, by product

In statement (1) the profit should be analyzed to show whether each product, or product group, is giving a fair return on the investment required to produce the product. It is no great task to break down the invested capital as to the amount allocable to any specific product or group. This is an important analysis as those products not returning a fair profit in relation to the required capital should either be eliminated or priced to give a fair return.

These statements should also be prepared comparing actual operations with the budget and with the previous year's operation.

Another important profit study is a statement prepared using actual sales, with expenses being computed at capacity factors as outlined in the section headed "Pricing". The operating profit so determined would be the profit if all factors were at standard. The excess of expenses over standard would be deducted from the operating profit to arrive at the actual net profit.

Budgets

The logical place for the Sales Manager to receive assistance in preparing his annual sales forecast is the Controller's office. By preparing analyses similar to those described in previous paragraphs the Controller can furnish all of the pertinent data required to prepare the sales forecast. With this information, and giving consideration to probable future economic factors, it is possible to project sales for a one, two, and five year period. Plans can then be intelligently laid for the company's growth.

Other Analyses

An analysis should be regularly prepared on order handling and order writing costs. The cost of handling an order includes the actual writing of the order, processing it through production and inventory control, traffic department and credit department, and any clerical cost in preparing shipping documents. This

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Chapters in Action

Treasurer's Workshop

Have you ever audited the books of a Woman's Club? Have you ever taken over as treasurer of a club after some sincere, hardworking but inexperienced treasurer has retired? Have you ever done anything about the ideas that ran through your head at such a time?

Portland Chapter has. Invitations were sent to over 500 leaders of Women's Clubs in Portland, Oregon, inviting their treasurers to participate in a Treasurer's Workshop, sponsored by Portland Chapter, Aswa.

The meetings, held in the Oregonian Hostess House for two nights—for names beginning from A to M the first night, and from N to Z the second—, were planned to be of definite value to the financial officers of the Women's Clubs.

Sororities, business and professional groups, neighborhood study clubs, church groups and Veterans Auxiliary groups were represented. Many of the treasurers in attendance had no previous training in financial record keeping. The idea of such a workshop was not only a valuable one for this year, but is a precedent setting idea for future years. As one guest explained, "As officers change, the need for such a workshop will continue in many of the clubs."

The subject matter discussed by two CPA's, William Holm and Henry Becker, covered:

1. The need for adequate records to effect proper reporting to members, officers, committees and national officers, and for the protection of the treasurer in handling funds.
2. The provision in the Constitution and By-laws for the requirements to be met in the books.
3. A chart of accounts to be set up to meet the requirements specified in the Constitution and By-laws. (This was a great chalk-talk presentation.)
4. Control of payments made by check and by cash, and bank reconcilements. (How the audience loved that one!)
5. Prepared statements to be submitted to local or national groups, and the necessity of making the report understandable.
6. Taxes — Social Clubs — Exemptions — Admission Taxes. Use of the Internal Revenue Service to answer questions regarding taxes.

This outline met with grateful response from the audience. One sorority treasurer brought her books and enthusiastically matched them up with the outline offered. A helpful question and answer period concluded each meeting.

Three treasurers, who were experienced accountants from business and professional groups, attended the meetings and came out to the Chapter's next regular meeting, indicating their interest in becoming members of the Chapter. After all, we feel this makes the Treasurer's Work Shop doubly successful!

—Ruth Gooch, Portland, Oregon

(Continued from page 17)

study can be of considerable value in controlling order costs.

Selling costs should be analyzed to determine the cost of obtaining each order. This is particularly important where there is a wide variation in order size. Can the company afford to handle small orders? This analysis can also prove of value to sales management in determining how to market the product, i. e., direct selling, through jobber, or some other method. When the order processing cost is known, it is a simple matter to convert such cost into a sales value per order required for a break-even point. This information can be used by the Sales Manager in helping his salesmen to spend their time on the most profitable sales. The use of such costs can be shown in graph form to emphasize this point.

A report should be prepared on warehousing and shipping costs to determine the most economical method of shipment. Through such studies the Sales Manager can readily determine the locations where warehouse stocks can be maintained economically and the territories which can best be served from plant inventories.

It should be remembered that the Controller must work closely with the Sales Manager in interpreting these reports and in counseling on policy. The objectives of the Sales Manager parallel those of the Controller and in a progressive, profitable enterprise both parties work in the closest cooperation.

The Controller should make periodic trips to the various sales offices to be thoroughly familiar with the problems being encountered in the field. He must be sales minded and as thoroughly familiar with the sales problems as he is with the production and cost problems. His accounting organization must be set up to provide a specialist in sales accounting as well as production accounting if he is to fulfill his duty to provide a competent and efficient staff organization.

(Continued from page 5)

We welcome the news of our CPA members who are active in the A.I.A. Marguerite Reimers and Marguerite Gibb are serving as Chairmen, respectively, of their State Society's Bulletin and Library Committees. Other AWSCPA members who have been named to A.I.A. Committees are: Kathryn A. Reynolds, New Haven; Rosemary Hoban, Detroit; Elinor Hill, Passaic; Corinne Childs, Tulsa; and Hester E. Erb, Chicago.

CHAPTER PRESIDENTS YEAR 1955-1956

Atlanta—MRS. GRACE W. HUGHEY
F. W. Dodge Corporation, 1204 Mortgage-Guarantee Building,
Atlanta, Georgia
Baltimore—FRANCES W. STURGEON, C.P.A.
1403 Glendale Avenue, Baltimore 12, Maryland
Birmingham—MRS. CLARA LELIEVRE, C.P.A.
1817 Fulton Avenue, S. W., Birmingham, Alabama
Buffalo—THERESA R. ODDO
341 Hudson Street, Buffalo 1, New York
Charleston—LUCILLE F. PERELMAN, C.P.A.
509 Kanawha Banking & Trust Building, Charleston 1, W. Virginia
Chicago—MARY F. HUNTER, C.P.A.
5528 N. Kenmore Avenue, Chicago 40, Illinois
Cincinnati—MRS. LETA G. STEELE
6434 Monalisa Court, Cincinnati 31, Ohio
Cleveland—KATHERINE E. PFEIFER, C.P.A.
Fern Hall, 3250 Euclid Avenue, Cleveland 15, Ohio
Columbus—HAZEL PROFFIT
2536 Adams Avenue, Columbus, Ohio
Connecticut—RUTH KRAVITZ, C.P.A.
37 Elmwood Avenue, Waterbury, Connecticut
Dayton—JACQUELINE E. LANGE
Room 218, 131 N. Ludlow Street, Dayton, Ohio
Denver—MRS. CLEO E. BURGESS
1270 Glencoe, Denver 7, Colorado
Des Moines—MRS. ETHEL STEWART
3742 Bowdoin Street, Des Moines, Iowa
Detroit—MRS. MARIAM LEBET
23200 Wilson Avenue, Dearborn, Michigan
District of Columbia—MARION E. DAVIS
1610 Kenwood Avenue, Alexandria, Virginia
Evansville—MARIETTA OVERBECK, C.P.A.
1609 E. Chandler Avenue, Evansville, Indiana
Fort Wayne—MRS. ELEANOR GALLOWAY
617 Huffman Street, Fort Wayne, Indiana
Grand Rapids—HENRIETTA O'NEIL
501 Crawford Street, S. E., Grand Rapids 7, Michigan
Holland—MINNIE HAAN
150 W. 18th Street, Holland, Michigan
Houston—MRS. DORA BAILEY ELLZEY, C.P.A.
1832 Portsmouth Street, Houston 6, Texas
Indianapolis—MRS. EVANGELINE S. BOOKER
4901 Norwaldo Avenue, Indianapolis, Indiana
Kalamazoo—MRS. RUTH HIGGS
219 Gilkey Street, Plainwell, Michigan
Kansas City—HELEN SEEMAN
2522 N. 20th, Kansas City, Kansas
Lansing—MRS. MERLE WHITE
325 N. Waverly Road, Lansing, Michigan
Long Beach—ANGELINE M. ELMORE
4014 Colorado Street, Long Beach 14, California

Los Angeles—MRS. LORAIN T. EALAND, C.P.A.
2031 North Lincoln Street, Burbank, California
Louisville—MARY LOUISE FOUST, C.P.A.
Shelbyville, Kentucky
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